



**HOME BUILDERS & REMODELERS ASSOCIATION
OF CONNECTICUT, INC.**

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*Your Home
Is Our
Business*

February 24, 2015

To: Senator Carlo Leone, Co-Chairman
Representative David Baram, Co-Chairman
Members of the General Law Committee

From: Bill Ethier, CAE, Chief Executive Officer

Re: **HB 5785, AAC Insurance and Testing Requirements for Home Improvement Contractors**

The HBRA of Connecticut is a professional trade association with about eight hundred (800) member firms statewide employing tens of thousands of CT's citizens. Our members, all small businesses, are residential and commercial builders, land developers, remodelers, general contractors, subcontractors, suppliers and those businesses and professionals that provide services to our diverse industry and to consumers. We build between 70% to 80% of all new homes and apartments in the state each year and engage in countless home remodeling projects.

The HBRA has been very involved in the home improvement contractor (HIC) registration act and its enforcement by the Dept. of Consumer Protection (DCP). In prior years, we have opposed licensing HICs with education and testing for a variety of reasons, more deeply explained in our June 4, 2014, comments to DCP on its charge to study the HIC registration program under PA 13-18 ([click here](#)). As we have explained to this committee in prior years and to DCP last June, **better regulation of HICs and better protection of consumers is a multi-layered problem, requiring multiple solutions.**

First, the scope of HIC complaints needs to be put into context. While we fully support and work hard to promote professionalism in our industry and improve the skills of our members, and recognize the high number of consumer complaints against HICs, the issues concerning our industry should not be overstated. The raw number of complaints is high relative to complaints about other regulated businesses. But, **when compared to the vast number of entities operating in our industry (perhaps 35,000 contractors, of whom approximately 23,000 are registered), who collectively perform upwards of 250,000 home improvements per year in CT, the level of complaints on a percentage basis is likely comparable to other regulated businesses and trades.**

Second, our comments on the five proposed concepts in HB 5785 follow:

(1) Each person seeking a HIC registration must show proof of liability insurance in an amount of a minimum of \$1 million. **We support this requirement as a reasonable and prudent business practice.**

(2) Each municipal building department is to require proof of such liability insurance at the time a HIC submits a building permit application. **We do not support this concept.** It

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would require a new certificate of insurance be obtained by the HIC every time they apply for a building permit. That could be many times depending on the type of work that is done, recognizing also that some projects will require more than one building permit. The paperwork and time constraint burden on contractors is unwarranted. Moreover, the burden on building officials to verify and maintain records of such proof would not be welcomed by many officials. Many building officials do not follow current law of requiring a proper registration number on building permit applications. They have a different job to do, i.e., building code enforcement. We urge this provision be deleted from the bill.

(3) DCP is to increase the HIC registration fee in an amount sufficient to pay for (A) an increase in the home improvement guaranty fund balance (?) to \$30,000, and (B) to pay for the development and administration of a written HIC exam. **While we support raising the guaranty fund cap from \$15,000 to \$30,000, i.e., the amount a consumer can recover from the fund, we strongly do not support raising the registration fee or the guaranty fund fee on HICs.** HICs already pay enough and we have not received in return what we have paid for. The HIC guaranty fund is raided for the general treasury. We know it's an impossible ask to stop raiding the guaranty fund, but that's impossible only because the state, not contractors, has created its massive deficits. More financial burden should not be placed on contractors because the state cannot manage its finances. **If you stopped raiding the fund, DCP would have ample resources to not only service consumer requests for claim reimbursements but also have enough to do other necessary things (explained below).**

(4) Require new and renewing HICs to pass an open-book exam. **Depending on what is required in this exam, and provided other conditions surrounding this issue are included, particularly a significant increase in enforcement, this proposal may be acceptable. However, we strongly urge you to also create an alternative option by allowing HICs to take a defined number of hours of continuing education, without examination.** The huge universe of HICs, which encompasses an enormous variety of types of work, counsels that such an exam or optional educational curriculum be limited to areas common to all HICs, such as the contract requirements under the current HIC Act and other consumer protection laws. DCP's well done 2013 HIC handbook would be an excellent source for such content. In addition, a responsible person needs to be designated to take the exam or the education curriculum and noted on the HIC license application.

(5) Provide for certain exemptions from the testing requirement for any licensed tradesperson subject to licensing by DCP, any HIC who has been registered in CT for at least five years, and any HIC who has gross annual receipts of \$30,000 or less. **We note that licensed tradespersons are already exempt from HIC registration under current law. And, we urge you add to the five-year grandfathering provision a caveat that your five years as a registered HIC must be with no valid and credible complaints of record against the HIC. This requires that DCP make sure complaints are valid and credible if they are going to count against an HIC's five-year clean track record.**

Third, we offer additional ideas not contained in HB 5785 to improve the HIC registration program:

As referenced above, **the state should stop raiding the HIC consumer guaranty fund and raise the cap on the agency's enforcement fund. DCP would then have sufficient resources to ramp up its enforcement efforts, which we assert should be a necessary precondition to converting to a licensing program.** We have long sought strong enforcement of the HIC registration law to help level the playing field for all contractors, so they all play by the same rules. These additional funds, which HICs already pay, could also support the additional solutions to HIC issues described below.

The DCP HIC booklet should be distributed to all registered HICs. It describes all relevant requirements for HICs in a very readable format.

DCP should be allowed to use some portion of the agency's enforcement fund for public and consumer education purposes. The DCP HIC booklet written for contractors, should be re-formatted for the consumer audience. The consumer version could be made available online and distributed as a pdf file by DCP and organizations, such as ours, who frequently interface with consumers. Consumers call us looking for a home builder or remodeler and it would be an easy task to ask to email the DCP pdf document to them.

The DCP booklet should reference nationally-accepted and widely-used residential construction performance guidelines. Workmanship issues are the number one category of consumer complaints against HICs. Use of these reference books will greatly help resolve these workmanship issues because that is exactly what these books address. The two documents that should be referenced are:

- Residential Construction Performance Guidelines for Professional Builders & Remodelers, Fourth Edition (NAHB 2011);
- The Home Book: A Complete Guide to Homeowner and Home Builder Responsibilities (The Building Standards Institute 2014)

DCP should develop a more specific complaint form for HIC complaints. It is difficult to glean from the DCP database of complaints exactly what was involved that led to a consumer complaint. Better data that would be produced from an industry specific complaint form will lead to better solutions that address the genesis of complaints.

The penalties for performing home improvements without a proper HIC registration should be increased, at least for 2nd and 3rd violations. Too many contractors work without registration because it is worth the low risk of getting caught. Many then also work “under the table” and unfairly compete in the marketplace. Treat the first offense as a “teaching moment.” Then make the risk greater and more will come into compliance with the law.

We look forward to working with the committee if this proposal is to move forward to ensure it is crafted to work for all stakeholders as well as consumers. Thank you for the opportunity to address this issue.